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SBDC NEWS

Governance Publications

Ontario Small Business Development Corporations Program Issue no. 10 (February 1987)

"S-B-D-C" MEANS "SUCCESS"

Karnuk Marble in Cornwall had the plant, the raw material, and a good manufactured product, but lacked the money to exploit its market potential. The Small Business Development Corporations (SBDC) program was the answer to its need.

At the other end of the province, two companies in Thunder Bay faced the same problem.

Great Lakes Ceramics Inc. also had the plant and raw material and a good manufactured product, but needed money to exploit its market position. Through the help of the SBDC program, Great Lakes Ceramics got what it needed.

G.K. Fleming & Associates Limited is pioneering new directions in computer-assisted maintenance management and control with its Plant Management Information System (PMIS). For a decade the firm has been active in integrated computer systems for managing technology. What G.K. Fleming & Associates needed was capital to exploit its new fully integrated system. SBDC provided the means.

Victor Di Girolamo, Bob Gotts, George Fleming, three entrepreneurs running successful businesses with the help of SBDC. The incentive provided by the SBDC program encouraged investors to risk making an investment in these companies.

Victor Di Girolamo knew the market for granite facing slabs and tiles was there, if only Karnuk Marble could compete. But that meant upgrading his equipment to make Karnuk Marble more competitive and that meant money. A number of people talked to him about investment, but talk was all it was. Then mutual friends brought Di Girolamo and a customer together. This customer was genuinely interested in investing, so Di Girolamo pursued the matter.

"But he took a lot of convincing," says Di Girolamo. "I had to really show my potential. It was the strength of my business plan that convinced him. I really appreciate the direction I received from the SBDC program in preparing

my plan. You can only achieve investment with a really sound plan. And it was the SBDC program that made the investment possible. Without the thirty per cent incentive for the investor and a convincing plan, I wouldn't have got the money. As well, the bank is already more amenable about discussing a loan."

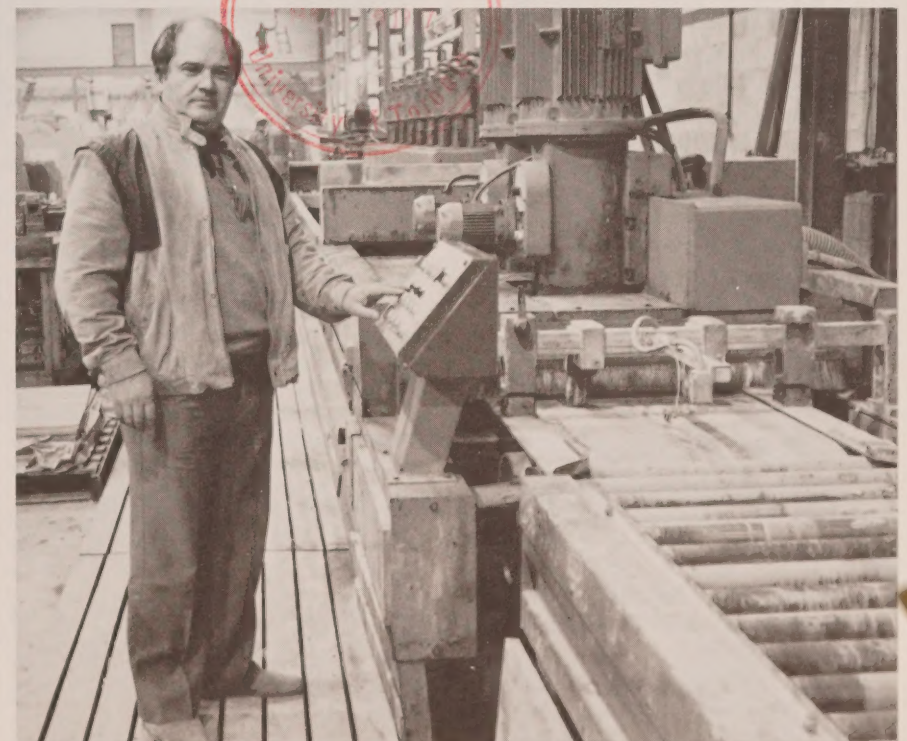
By the end of January 1987, Karnuk Marble will have new machinery installed. The equipment is essential to the firm's survival and will provide Karnuk with a jump on the granite industry. The new equipment will allow the

company to cut granite with finished edges. Slabs can be cut as thin as three-eighths of an inch in two foot widths.

Karnuk is currently working to develop an export trade to the United States. In North America, the next time you walk across granite paving stones into a new building faced with granite curtain-walls, just think, the stone may have been prepared in Ontario, thanks to the SBDC program.

Away to the northwest at the Lakehead, Bob Gotts and George Fleming express similar sentiments.

continued on page 2



Victor Di Girolamo, president, Karnuk Marble cracks the granite market with new equipment.

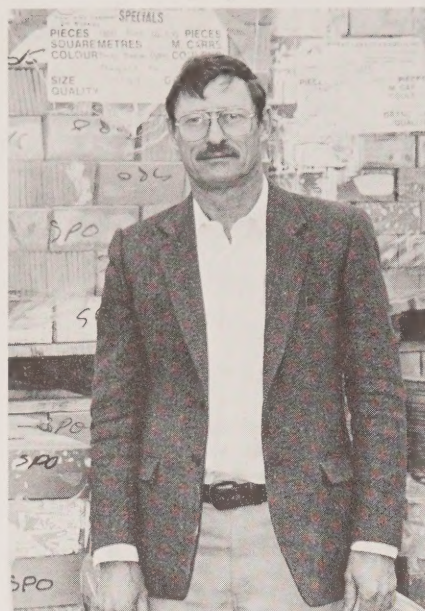
A geological engineer from Saskatchewan who grew up in the world of hardrock mining, Gotts is president of Great Lakes Ceramics Inc., manufacturers of superior quality floor and wall tile.



Ministry of Revenue

Robert F. Nixon
Minister
T.M. Russell
Deputy Minister

continued from page 1



Bob Gotts, president, Great Lakes Ceramics Inc. breaks new ground with SBDC.

Gotts had been a founding partner of Avonlea Mineral Industries Ltd. That company discovered clay deposits excellent for heavy-duty-wear tiles. Avonlea knew a modern production plant in Thunder Bay was available. Gotts broached the idea of turning the Thunder Bay plant into Great Lakes Ceramics and a member of the Avonlea Board put him in touch with an investor in Toronto.

Gotts had previous dealings with the potential investor and had formed a favourable opinion. Gotts had his business plan ready, stressing the potential of Great Lakes and detailing how that capability could be realized. The business plan did what it was supposed to do: influence the investor.

"Negotiation isn't easy," Gotts remarks, "but it was amiable. A good investor wants as much as he can get and you have only so much you'll give up. You strike a deal. We ended up with both sides satisfied."

"Then we got into the mechanics," Gotts continues. "That's when we brought in the intermediaries like accountants and lawyers to get all the legal documents in place. The SBDC program was very good. Everything went quickly and we weren't held up as you often expect to be by a government department."

"Although individual cases are all different," Gotts says, "they do have certain common elements. My advice to any business seeking equity capital is to definitely have a business plan. You must give the numbers. You can't expect an investor to even talk to you if you don't have a plan."

"The main problem," Gotts says, "is where do you get people interested in investing? We had a good project, but had to find people with cash. And

Thunder Bay as a location doesn't exactly lend itself to ease of access to the money markets. For firms like us outside the main centres of venture capital, I think the SBDC Program's Match-up is a great service, bringing the investors to the businesses, rather than the businesses having to spend a great deal of time, energy and money travelling around."

beat a path to your door if the world doesn't know where your door is. The product was self-marketing slowly, but slowly wasn't generating the sales necessary to bring in revenue to finance further research and development. "One of the problems of the software business is that you're always selling futures. It takes five years to develop a product, which then has a life



George Fleming, president, G.K. Fleming & Associates Limited at the forefront of computer software development.

Elsewhere in Thunder Bay, G.K. Fleming & Associates Limited is developing computer software programs for the maintenance of industrial plants.

Founded in 1976 by George Fleming, former chairman of the School of Engineering at Lakehead University in Thunder Bay, G.K. Fleming & Associates Limited designs and installs proprietary computer systems for industrial, commercial and professional clients.

Besides the Plant Management Information System (PMIS), the company is planning two additional data-based systems.

The Energy Conservation and Management System is being developed to enable industrial plants to reduce energy costs while improving their operating efficiencies.

The Process Data Management System will provide personnel with a common source of process data. It will be designed to be integrated with the PMIS to provide predictive maintenance information on process equipment.

But it's not enough to build a better mousetrap and expect the world to

expectancy of ten years," Fleming comments.

Fleming needed money for a marketing campaign to advertise his company's services among industries operating plants with repairable assets. He took his problem to the merchant bankers Mac D. Campbell & Associates in Vancouver, B.C., who helped to create a business plan. Then, armed with the plan, Fleming canvassed sources of venture capital.

He obtained his initial funding from a business acquaintance with whom he'd worked for years. Through the SBDC program, the acquaintance made an equity capital investment in Fleming's company. However, the investor was limited in what he could put into the company and Fleming needed more. So he asked Campbell & Associates for further assistance.

The merchant bankers found a person prepared to make an investment. Fleming and the investor met for lunch to see if the chemistry worked. Fortunately, they hit it off very well, so Fleming left it to Campbell & Associates to negotiate the terms.

continued on page 3

OBTAINING CAPITAL THE SBDC WAY

Making an idea a reality takes more than ambition — it takes capital. For over seven years, the Small Business Development Corporations (SBDC) program has provided a way for small businesses to obtain equity capital. Through the SBDC program, venture capitalists form Small Business Development Corporations (SBDCs) to provide low cost capital and, often, expertise to small businesses. But what attracts an SBDC to invest in a small business? **SBDC News** interviewed four SBDC principals — Irv Weitzman, Bob Ivey, Frank McConnell and Millard Roth — to find out.

At first glance it may appear that the business owner and the venture capitalist have different objectives. A closer look, however, reveals that they are both trying to achieve the same goal — to make money. For a venture capitalist, investment is not just a situation to get a return on money. "As a venture capitalist, I want to build capital and to do this I'm prepared to risk the capital I've invested," says Frank McConnell, an SBDC principal.

When asked what makes a good investment, the four venture capitalists offered definitions of the ideal investment — components a small business must have before they would consider investing. Although the four SBDCs interviewed were selected at random, each concurred that a strong management team is essential to attract their interest to invest. "Irrespective of how much potential a company may have or how efficiently a company may produce or market its product, management is the key to the success of the business. While the right management can make almost anything work, the wrong management can destroy even the best of companies," states Irv Weitzman, an SBDC owner. "A committed management team is important in adding a sense of security to my investment," he says.

Bob Ivey, an active principal in an SBDC also maintains that the quality of management of a small business is very critical in his decision to invest. "An experienced and committed management team with a practical business plan and attainable goals is essential to attract my investment. It is important to know the principals' past experience, their initiatives, and their market position. When I look at a prospective investment I want to know the straight facts. I like to start with the financial situation, and find out what loans are outstanding, the business' receivables and payables and what

the principals intend to do with the capital."

SBDC investor Frank McConnell echoes Ivey's comments. "The basis of my decision to invest does not rest on the type of product a business produces but whether a company has the management to succeed. In order to secure my investment, a business must also be prepared to put its capital at risk and provide management with a clear incentive to make the business work."

McConnell does not believe his role as a business partner is to provide day-to-day management of the business. He expects that to come from within the business. "It's important that I understand management and the reasoning behind their decisions and operations. To be a comfortable partner, I want to see a monthly financial statement and a report on the key decisions made during that month."

Millard Roth, an active principal of an SBDC believes the foundation of any good investment is a positive relationship between the business owner and the SBDC. "If you haven't established a good working relationship with the principals of the business, then you are going to have a problem investment." Roth believes one of the key attractions to investing is the entrepreneur. The entrepreneur must be committed to the business and have a realistic business plan. In addition, the entrepreneur must have a committed management team or be in the process of building one to carry out the business plan. These criteria are essential in attracting Roth as an investor.

"Management must be receptive to the idea that we are not just investing money, but also becoming a partner in the business," says Roth. He likes to keep in touch with his investments. "Usually, I'm in contact with my investments on a weekly basis. In some cases we initiate a fact sheet report that is a little snapshot of the key weekly operating and financial aspects of the business. We want to be involved in any key financial or expenditure decisions as well as personnel changes. In addition to capital, we are able to offer our investment financial counsel and organizational planning assistance at any time. For example, if the business is seeking refinancing, we would assume this task as a project and would relieve the owner or owners of that responsibility. This enables the entrepreneur to concentrate on the business."

But providing venture capital and financial counsel is only one side of the SBDC program. The other challenge in linking equity investment to small business is to convince the business owner to give up a share of the business to the SBDC in return for the risk capital. "One of the key problems facing small business today is the reluctance of the principals of the company to give up a share of their business in order to secure venture capital," says Weitzman. "This possessiveness prohibits a business from growing and realizing its optimum potential. In some cases, it may lead the business into bankruptcy."

If you are a small business interested in making an idea a reality, in expanding, improving your facilities or launching a new enterprise and want to know if you meet the eligibility requirements of the SBDC program contact Bruce Jardine at (416) 433-6470.

continued from page 2

Negotiations began in December 1985, and were settled by March of 1986. "The business plan was the pertinent factor in both investments," Fleming says. "The speed with which we concluded negotiations for the second investment was due to the excellence of the plan."

"The SBDC people gave us a lot of assistance," Fleming notes. "The program helped us avoid all sorts of pitfalls we would have stumbled over. And the staff were always ready and willing to answer questions. When you needed a letter, you got one."

"Without the SBDC program's incentive grant, the first investment wouldn't have been made," Fleming remarks. "But once made, it had a snowball effect. Once we could show that people were willing to make an equity capital investment in the company, other investors were more willing to take a chance. The first investment led to the second."

Granite slabs, ceramic floor tiles, sophisticated software programs for industry, three successful products being manufactured in Ontario thanks to equity capital invested through the SBDC program, investment stimulating the economies of Northern and Eastern Ontario.

These firms won through the assistance of the SBDC program. Perhaps your company can too. If you're interested, call collect to (416) (Oshawa) 433-6470.

BROADVIEW PRESS — A DREAM OUT OF AFRICA



Don LePan, publisher, Broadview Press examines first major work published by his company.

Just over a year ago, Don LePan was in Zimbabwe, Africa, planning to own a publishing firm in Canada. At times it still seems like just a dream to LePan, but that dream has indeed become reality.

Originally from Toronto, LePan and his wife, Heather, moved to Zimbabwe in 1982 to experience a completely different way of life. They wanted to do this while in their twenties and before starting a family. The thought of coming back to Canada was always at the back of LePan's mind though. "There was always a nagging desire to work for — or create — a publishing company that would broaden the market for Canadian academic books," he says.

While vacationing in Canada in 1984, he met a friend (later a major shareholder) who agreed with his dream and encouraged LePan to start his own publishing business. Convinced it was possible, LePan prepared a preliminary prospectus to secure financial backing. He also contacted his bank manager for information on possible government assistance. The manager supplied a list which included the Small Business Development Corporations program (SBDC).

LePan wrote to the SBDC program for information and sent a prospectus to Bruce Jardine, who is an SBDC Match-up financial analyst. Jardine was impressed, although uncertain. "I wondered whether he would come, would he really build a business and would the SBDC program be able to find an investor," says Jardine. "Book publishing is an activity that not too many investors know. Most SBDCs prefer to invest in familiar operations."

In his business plan, LePan outlined the details of the publishing business. He chose Peterborough as the location because of its proximity to a university where he could use professors for reviews and the cost of housing was relatively inexpensive. In addition, Peterborough is easily accessible to major transportation routes.

One thing that LePan did not do in his business plan was paint a rosy picture for potential investors. He showed that the business was bound to lose money in the first year, but could make money from then on.

LePan met with Jardine on his return to Canada in August of 1985, submitted the business plan and waited to hear

continued on page 7

IN PETERBOROUGH DEVELOPMENT MEANS BUSINESS

"Investigate the availability of financial assistance from government by all means, but above all, learn to sell yourself and don't expect miracles overnight!" That's the advice of Shannon Staub, director of development for the City of Peterborough, who plays an instrumental role in bringing businesses and investors together. Although her primary role is to facilitate Peterborough's economic development, her mandate for the past year has been to maximize the growth potential of local businesses.

"We heard about the Small Business Development Corporations (SBDC) program from a representative of the Ontario Ministry of Industry and Trade," said Staub. "I then called Reay Bevis, an administrator of the SBDC program, who encouraged us to hold a seminar in Peterborough." SBDC staff made the arrangements immediately.

Bevis and other Ministry representatives spoke about the SBDC program to an audience of about 100. Following the formal presentation, Bevis and his staff were available to meet privately with anyone in the audience.

One person attending the meeting was Dave Chappell, owner of the Westwind Resort in Buckhorn (see p. 5 for more on this success story). He spoke to Bruce Jardine, an SBDC financial analyst, about obtaining investment funds to complete his resort. Convinced that he had a good chance to receive investment capital, Chappell prepared a business plan, submitted it to the SBDC program and was matched up with an investor. Even though Staub downplays her office's role, the Development Office has this success story to prove its effectiveness.

"I think the program is one of the best offered," said Staub. "The Ontario

continued on page 7



Shannon Staub, director of development, City of Peterborough.

WESTWIND RESORT — A SUCCESS STORY



Dave Chappell, owner, Westwind Resort, relaxes among the birches.

Surrounded by the magnificent splendour of the Kawartha landscape is Westwind Resort the realization of owner Dave Chappell's dream.

"For four years I planned this resort," says Chappell. "At times I wondered if it would happen, but with some help along the way, I did it." The help came in the form of the Small Business Development Corporations (SBDC) program. Chappell had raised as much money as he could to complete his dream resort when he attended an SBDC Match-up Workshop in Peterborough. As he listened to a representative from the program, he says, "I was on the edge of my seat. I realized that there are many people looking for investment opportunities. It was only a matter of going after them."

Chappell decided to speak to a program representative after the meeting. He knew that given the existing market conditions his business would be successful. He therefore had no qualms about offering shares in his corporation in return for investment funds.

Chappell had raised \$100,000 from private sources and also received funding from another government source, the Ontario Development Corporation. But \$100,000 more was needed for seed money. Although his budget did include an allowance for unforeseen price increases, the demand for building materials and

labour escalated suddenly with the recent building boom. In addition, the contractor that Chappell selected demanded advance payment for 90% of all contracts.

At the SBDC meeting, Chappell also discovered that he had to prepare a thorough business plan. "I had to make a case for myself in order to be recognized and matched up with an interested SBDC," says Chappell. The "case" was a documented proposal that included market research along with development plans. Chappell was not intimidated. Since 1974, as the

owner and operator of Liftlock Cruises, a boating operation, Chappell has had time to acquire the expertise needed to run a successful business.

Chappell did a market appraisal, looked at building costs, the cost of running the resort and the expected returns. He packaged the plan and submitted it to SBDC program match-up staff. A number of SBDCs looked at the business plan, but only one decided that Westwind was exactly the right investment for it.

This SBDC is comprised of a group of army officers, originally located in Kingston, but who have been dispersed through postings around the world. The chemistry — which is so important in any match-up — was there. The group preferred to take a passive role and to let Chappell handle the management of the Westwind Resort project.

Chappell became his own general contractor and for added savings even built some of the vanities in the rooms. He also made sure that local help was used wherever possible in order to assist other businesses.

Negotiations between the SBDC and Chappell took some time. Finally, the SBDC bought 30 per cent of the shares in Westwind. That was as much interest in his business as Chappell was willing to divest and just enough to complete the project.

The result of this effort is a beautiful resort which has 32 rooms, a 100-seat lounge and an 80-seat theatre/restaurant. The building, made of cedar, rests on a sheet of bedrock overlooking Buckhorn Lake. A wooden deck leading from the restaurant is built around a towering tree — thus *Tree Tops* is an appropriate name for the restaurant.

continued on page 7



Westwind Resort, a serene retreat at Buckhorn Lake.

ATTRACTING ANGELS

In theatrical parlance, an "angel" is someone who risks money underwriting the production of a play. The word has been borrowed to describe venture capitalists who risk money underwriting small businesses. If fools rush in where angels fear to tread, these business angels are no fools. They are canny appraisers of the companies in which they invest. Robert Hewett, investment banker, president of Commercial Financial Corporation Limited, and money manager of a private family investment firm, is one of these venture capitalists. **SBDC News** spoke to him about his investments.

SBDC News: What is your investment philosophy?

Hewett: A venture capitalist's initial investment should provide enough resources to enable a company to bull its way through any problems. Venture capital equity investment should not be merely a prologue to additional funding. Too many companies are lost due to inadequate capital financing.

SBDC News: What type of companies do you look for to invest in?

Hewett: You can't manufacture a good investment. You must be selective, patient, and wait for your opportunity. You look for the right ingredients. There must be a committed management with a personal financial stake and a breadth of skills. There is no specific type of company that I am looking for. I will invest in any company that meets my criteria. Generally, I like companies with an existing market share. The company should have a substantial capital equipment requirement to exclude the garage entrepreneur. There should be a margin of profit commensurate with capital investment in order to offset capital costs.

Start-ups are difficult. The greater the lead-time until a company stabilizes, the greater the margin for error. I prefer companies with an existing market base that need money for expansion, particularly for the capital equipment necessary to achieve that expansion. The key is for a company to be well-financed at the outset.

If the company is well-financed, enough resources are available to allow the company to correct its growing pains. Excess can be reinvested to obtain a greater share of the market.

My objective is not an immediate high return for the fewest investment dollars, but to ensure that the company has sufficient financial strength to bull its way through any problems so that it becomes a long-term resource. Afterward, as a financial adviser I can assist the owner to fine-tune the company's performance.

SBDC News: How do you assess whether you'll invest in a company?

Hewett: It's very hard for an investor to judge the nuts and bolts of a business, because often the investor is ignorant of the fields the company operates in. Consequently, the investor should examine the structure of the business, the company's market base, and the profit margin. I look for these components in the company's business plan and independently verify them.

SBDC News: Do you want to offer management expertise once you have made your investment?

Hewett: I am strictly in the financial arena. I give financial advice and ensure that the investment doesn't take unnecessary financial risks.

SBDC News: How closely are you involved with your investments?

Hewett: I monitor my investment closely, but I don't 'do the doing'. It is their individuality that makes people entrepreneurs. If an investor sticks his nose in and tries to dictate to the owner, this can lead to frustration by both parties. In trying to create a relationship between each other, they can waste a lot of time and energy better spent in building the business.

SBDC News: How long do you want to be involved with your investments?

Hewett: A venture capitalist must ride winners and stay with a company as long as there is a good return. Otherwise, the equation of return is uneconomical. If you sell too early, then you won't realize enough to offset losses from unsuccessful investments.

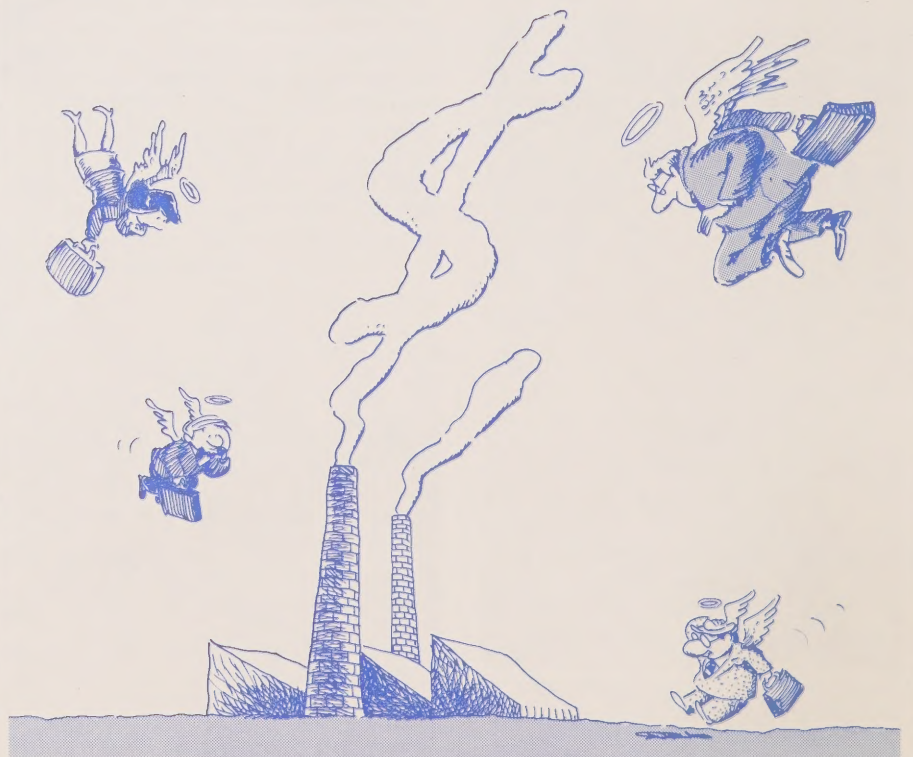
However, I will never stand in the road of letting a company's principals buy me out at a fair market price and at a time when the company is approaching its maturity.

The investor must judge the scope of the management in the company being invested in. When will the management's skills and the company's growth trend start to flatten out? When is the best time to sell the company to management or another party?

SBDC News: Tell us about your recent investment.

Hewett: Despite my earlier caveat about start-ups, I invested \$500,000 in a new manufacturing firm in the consumer plumbing product business. I hold 49 per cent of the shares. As well, separate from my SBDC investment I provided the funds that enabled the company to buy a 40,000 square foot plant for the company as well as production equipment for a total commitment of \$1,850,000. Those monies advanced for the building and term-debt have already been repaid and withdrawn. The SBDC equity remains. The shareholders agreement contains a formula for a mandatory pay-out of dividends. As a minority shareholder, my return can be realized only through income flow, that is dividends or sale. But I don't want to be forced to sell to realize success. My anticipated dividend return in 1986 is the equivalent of a 75% annual return on the original capital investment.

continued on page 7



continued from top of page 4

about a match-up. Jardine told him that the process of match-up could, take time, approximately six months. "Apart from a willingness to invest, other factors must also be taken into consideration in any match-up," said Jardine. "A crucial one is personality. There has to be good chemistry between the investor and the entrepreneur, because they have to work together and complement each other's experiences."

Negotiations with interested investors began in October, 1985. The final papers were signed in April, 1986. LePan liked the principals of the company that invested in Broadview Press. It's a company that normally does not invest in start-up operations, but felt that there was a definite need for a Canadian publishing company of academic books.

By June of 1986, LePan published two books. He intends to have ten books ready for distribution by May, 1987. Although Broadview Press focuses on academic publications, a number of specialty books are planned for marketing in retail chains such as *WH. Smith, Classics* and *Coles*. Reference books geared to lawyers and other interest groups in Canada, the United States and England are also in the works.

LePan feels strongly that his business will be successful. This is due in part to the support of professors and others in the publishing industry, and because next to romantic fiction, academic publishing, which offers only 20 per cent discount to bookstores (in contrast to trade publishing which offers 40-46 per cent), is the most profitable segment in the industry.

He has learned a lot since starting his own business. He discovered that publishers have started producing shorter print runs in order to help their cash flow. Also, telephone marketing, he discovered, is cheap and efficient.

"With a large company you are never able to follow anything through," says LePan. Therefore, he wants to hire people who will combine editorial and marketing skills and are able to carry a project right through from beginning to end. "That way, when they go out to sell a book, they will be completely familiar with it," adds LePan.

As the owner of a small publishing company, LePan finds that he has the chance to experience all aspects of the business. Although he is not very knowledgeable in the accounting field, he knows that his SBDC investors, familiar with finance and accounting principles, are willing to assist him.

What would LePan have done without the SBDC program? "I had some other avenues for raising funds, though none were as attractive as the SBDC program," he says. "I know I would have

been able to set up on my own, but the SBDC program made it a lot easier. I liked the fact that after the initial match-up, the government stepped out and final negotiations were between Broadview Press and the SBDC."

continued from bottom of page 4

government is not in there propping up business. Entrepreneurs are forced to prepare business plans and to lay out their future activities. They must work on their own to sell themselves to an investor."

There is a good future for business in Peterborough. In the last two years, eight businesses in the Peterborough area have received over \$1.75 million in investments from SBDCs. These investments have already created more than 150 jobs.

The Development Office, with Staub at the helm, will see to it that more people turn to the SBDC program as a source of investment. Staub and her staff will continue recommending the SBDC program as an important source of low cost capital, and for expertise far more valuable than the capital invested.

Peterborough entrepreneurs are fortunate. In addition to the development office, they have the support of the Sir Sandford Fleming Centre for Innovation. The centre was created last year to assist the business community by helping with the preparation of business plans and by telling people about the SBDC program.

"The SBDC staff make us feel very comfortable. Any time we have enquiries and no matter how unimportant they may seem, we can pick up the phone and call. We want to help businesses and one way is by letting them know that the SBDC program really works."

continued from page 5

So far, advertising for Westwind has been by word-of-mouth only. Even so, during the Buckhorn Wildlife Festival, Chappell was forced to turn people away. Since its opening in late July, 1986, the resort has been continually filled with guests.

Now that Westwind is operating smoothly, Chappell plans to expand Liftlock Cruises operating out of Peterborough by buying another boat. Apart from boat tours of the surrounding area, this expansion will allow for shuttle operations between Peterborough and the Westwind Resort. Another area of expansion will be in offering bus tours, theatrical productions and three-day packages. These activities are all specifically designed to cater to adults only.

Within the next few years, Chappell wants to be in such a financially strong position that he can buy back the remaining shares of his resort from the investing SBDC.

Would Chappell approach the SBDC program again? "I certainly would," says Chappell, "although, I would caution that it does take time — be patient and be careful." There were many anxious moments during the planning and construction stages when Chappell wondered whether financing would be available and if so, would it be on time, but his perseverance paid off. Westwind Resort is a real success story.

continued from page 6

SBDC News: How did you find the investment?

Hewett: The investment was arranged through personal contact with two engineers who left their previous employment with the view of establishing their own business. The company has now matured to the point where one partner bought out the other. I am left in place as a minority shareholder.

SBDC News: What role did the Small Business Development Corporations (SBDC) program play in finding your investment?

Hewett: Initially, none. The SBDC program came in after the event. I found the company and then sought the best way to make my investment.

SBDC News: Even though the SBDC program didn't play a major role in your investment, what is your opinion of the program?

Hewett: The SBDC program is a valuable tool for the entrepreneur. It's a tremendous device for marketing a minority interest in small businesses. I consider the SBDC program to be doing a valuable job injecting money to promote economic activity. I'll participate in the program as long as it is around.

SBDC News: What do you see as the most important aspect of closing a deal once an investment has been found?

Hewett: So much of a deal lies in the negotiation with the principals. An investor is interested in the principals' personal equity commitment. The investor reads their characters. You have the chemical equation and an important aspect is to determine the character of the business owners. If in the negotiations the company's management capitulates too readily to the investor's ideas and is interested only in selling the company shares, then the management is likely to compromise on other things at the expense of the company. One should negotiate against a fine line that one won't cross.

SBDC News: What are your plans for the future?

Hewett: To continue looking for good companies to invest in. One investment doesn't an investor make, you have to keep making investments. It's a challenging and rewarding business.

OPPORTUNITY SHOWCASE

A regular feature of **SBDC News**, Opportunity Showcase highlights small business in need of capital. These businesses are not endorsed by the SBDC program and have not been reviewed to determine whether they meet all eligibility requirements for investment by an SBDC. The information about each company that follows has been extracted from promotional material.

Small businesses wishing to be listed or SBDCs that would like further details on the companies outlined below should contact Reay Bevis at (416) 433-6459 in Oshawa.

MANUFACTURING AND PROCESSING

ANIMATED FILMS

An established eastern Ontario company producing animated films requires an investment of \$1,000,000 for expansion and reduction of its debt load. Sales over the past two years have been in the \$3 million range. In the current fiscal year, production is already underway on projects valued at \$5.5 million that will yield a net profit of \$960,000. Company principals expect to commit a further \$1.9 million themselves to the business over the next 12 months.

The company has produced many popular TV specials and series as well as feature films. With the current focus on television series, and the recent introduction of cost-cutting measures, the principals feel the company is well positioned for a period of steady growth and rising profits.

TREE SEEDLINGS

A profitable, five-year-old northern Ontario company, with the largest containerized tree seedling production unit in Canada, requires \$900,000 for expansion over a three-year period. Current sales are \$1,250,000. Using waste heat in a greenhouse setting, the company proposes to add the production of vegetables for the local market, and later, flowers for sale at auction in Toronto and/or Montreal.

The principals' financial commitment, by way of equity and debt, exceeds \$1.1 million. An additional \$100,000 can be made available for the current expansion.

AIR DIFFUSER

An Ottawa area company is engaged in the development, manufacture and marketing of an advanced air diffuser, a highly efficient device that controls and enhances combustion of fuel in domestic oil heating equipment. As well, R & D is ongoing in order to de-

velop a wide range of products made possible by the total combustion achieved in the burners.

An innovative, direct marketing concept has been developed, which has the potential to be franchised. Working from mobile workshops, a team of sales persons and technicians would call on homeowners responding to promotional campaigns. The team would be able to offer complete analysis, service and conversion packages. A secondary marketing strategy would target the more traditional distributors.

An investment of \$100,000 is required for marketing and to finance the change over from R & D to manufacturing.

COMPUTER HARDWARE

A Hamilton company manufacturing IBM-compatible personal computers has demonstrated both rapid growth and the ability to make money in its two-and-a-half-years of existence. Sales have grown from \$453,000 in the first year to \$1.8 million in the second year and projections call for \$3 million in the year ending March 1987. The product sells for less than half the cost of the IBM PC and a compatible AT has just been added to the product line.

The company's client base includes many major corporations in the Hamilton-Toronto area. Equity of \$200/300,000 is now required to permit continued growth.

COMPUTER SOFTWARE

INTERNATIONAL TRADE DOCUMENTS

An Ottawa company has developed a software package that automates the preparation of international trade documents, allowing the user an 85 per cent reduction in form production time. Training time for use is low because forms are presented in normal format, and the screen can be scrolled the length of the form.

Additional packages are being marketed with others in the research and development stage.

At the present time there are no micro computer software packages in the U.S. or Canada to assist in the production of export documents.

A \$100,000 investment is sought for help in marketing into the United States.

DATA INTERCHANGE

A young Hamilton company has developed the capability for electronic data interchange via personal com-

puters connected by common telecommunications carriers. Initial penetration will be into the metals-consuming industry with a projected market share of 18 per cent by 1989.

The market is new and there is little competition. Revenues will come from both software sales and network royalties. Sales for the first year are projected conservatively at \$616,500 with a net profit of \$60,000.

Equity of \$500,000 is required over a period of 12 months, 20 per cent for research and development and 80 per cent for production and marketing.

TOURISM

SPORTS/INN COMPLEX

A Windsor company is developing an 18-hole public golf course in a prime tourist area together with tennis and swimming facilities and overnight accommodation. The focus of the complex will undoubtedly be the country inn and clubhouse, which the principals feel will offer an array of services and comfort unmatched within 200 miles.

The management team provides a strong background in construction, project development and marketing. They have already acquired a desirable property, mortgage-free, with a fair market value of \$542,500 and have committed a further \$650,000 for development and site improvements.

A total SBDC investment of \$1,585,000 is required. Assuming an exit after five years, the projected return on investment is 24 per cent per annum.

CAMPING RESORTS

A southern Ontario company intends to set up a chain of quality camping resorts. Each operation would have multiple amenities and optional overnight accommodation.

The principals of the company have wide experience in marketing and hotel management, as well as conversion and management of large site developments. A management team with training in recreational programming, administration, finance, food management and computer services is lined up.

A \$1,000,000 investment is required to help in the start-up stages of this carefully planned enterprise.

SBDC News is produced by the Program Communications Section, Taxpayer Services Branch, Ministry of Revenue, Oshawa, Ontario.